



COUNTY OF ERIE

COUNTY CONTROLLER'S AUDIT REPORT 2017

\$ ACCOUNTABILITY

\$ TRANSPARENCY

\$ INTEGRITY

Protecting the County Taxpayers Dollars

Mary E. Schaaf, County Controller



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County Controller

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Manager of Internal Audits

DATE: MARCH 29, 2018

**TO: COUNTY COUNCIL
COUNTY EXECUTIVE**

The Controller is the elected independent watchdog for Erie County taxpayers promoting transparency and accountability by insuring that all payments and obligations incurred by the County and each of its agencies, boards, commissions, departments, and offices are in accordance with the law, the Charter, contracts, and/or established procedures. The Controller's Office's audits and examinations have resulted in the recovery of County monies, implementation of new controls, and improved existing control systems resulting in budget savings to the County and its taxpayers.

This annual post-audit report covers the examination of selected cash accounts and related records of the General Fund, Special Revenue, Debt Service and Trust and Agency Accounts of Erie County for the year ended December 31, 2017 as indicated in the Administrative Code. Each audit examination was conducted in accordance with Auditing Procedures as described on Page 2.

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Erie County Controller

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Audit Procedures

Cash Accounts:

The following audit procedures have been applied to the cash accounts contained within this report.

1. Bank statements were reconciled at December 31, 2017.
2. Total deposits per the bank statements for the year ended December 31, 2017 were compared to total receipts written.
3. Total disbursements per the bank statements for the year ended December 31, 2017 were compared to total disbursements.

Disbursements:

Domestic Relations, E-911, Emergency Management, General Fund, Planning and Public Health Disbursements were tested for legality of claim, existence of proper documentation and proper account coding. Legality of claim includes examination of purchase orders, where appropriate, review of proper approval, examination of invoices for mathematical accuracy and comparison of disbursements with budgeted amounts.

Payroll:

The Controller's Office receives notification of employee terminations, hiring and payroll rate changes from the Personnel Office. Gross pays are examined for the first pay period of new employees and the last pay period of terminated employees to assure a proper payroll cut off. We examine authorizations for payroll rate changes and retroactive pays, where appropriate, so as to compare them to the payroll register.

2017 Current Findings and Recommendations

District Attorney's Office Drug Forfeiture Accounts Audit and Report:

In January 2017, the District Attorney's Office's Office Manager was found to have stolen \$143,450 from the checking accounts that she supervised and was charged by the State Police and fired by the District Attorney. An outside Accounting firm had been conducting the annual audits but did not find the theft. On January 27, 2017, the District Attorney and the Controller met to institute controls to prevent the possibility of future theft. The Controller presented the recommended controls to be put into practice and outlined the oversight of the Controller's Office as requested by the District Attorney.

In August 2017, the Controller and Manager of Internal Audits met with the District Attorney and his staff to review compliance with the recommended controls, the Controller also presented the District Attorney with the PA Attorney General's Guidelines for Forfeiture of Assets per the July 2017 new statute 42 Pa. C.S.A. which requires an extensive audit as well as an online Report to be submitted to the U. S. House & Senate Appropriations and Judiciary Committees. The outside Accounting firm declined to perform those services for 2017 due to the additional work required.

The District Attorney then requested that the Controller's Office perform the annual Audit for fiscal year end June 30, 2017 and complete the State Report. The Deputy Controller devoted much time to reconstructing the past year's records which were manipulated by the accused Office Manager for the first half of the year. He completed the Audit and Report by the October 1, 2017 deadline.

The former employee was convicted of embezzlement and sentenced to one to two years in state prison followed by seven years of probation as well as restitution of \$125,000.

The Controller's Office provided the District Attorney and his staff with an outline of our procedures for the examination, audit and submission of the Asset Forfeiture Report annually. We appreciate their cooperation in implementing the recommended controls.

Gaming Fund Grants to GECAC:

In March of 2017, the County Council Chairman requested the Controller perform an audit of the \$258,415 GECAC Unrestricted Grant and the \$461,391 GECAC AAA Grant awarded by County Council annually from the County's share of Gaming Revenue. GECAC officials complied with the Controller's request for 2016 financial documents. The Controller found that since County Council had not placed any restrictions on usage of the monies, the \$258,415 Grant was for used such things as the Annual Dinner, Board members' tickets, Board members' meals and expenses, Christmas gifts to Board members, Board and staff travel and conferences, membership fees, staff and volunteer parties, lunch meetings, donations/sponsorship of other events, rent, Board photos, Executive & Board insurance.

The Controller requested that the PA Auditor General review GECAC's financial information since GECAC received \$27,591,149 from the PA Department of Human Services in 2016. GECAC's funding from all sources was \$41,017,952. After discussion with the Controller, he stated "Before any funding is awarded, County officials must do a better job of establishing strict guidelines and oversight to ensure that residents receive the services the money was intended to provide".

The Controller has reviewed the 2017 expenditures of the GEGAC grants and found the same controversial expenditures as in the previous year. The GECAC Finance Director has assured the Controller that the costs related to the board members tickets, gift cards, holiday luncheon and activities dues will not be charged to the 2018 Unrestricted Grant. He stated "the bottom line is it is imperative that we be provided with the funding guidance that comes with these funds. Once it is clear on what is or not allowed, we will no doubt follow the rules and regulations that are put in place. As I shared with you last week, we still do not know what is allowed or not as County Council approved the budget narrative that we submitted which included expenses for some of the items you are questioning".

GECAC has two other contracts with the County funded by MHID, Congregate Meals and Foster Grandparent Transportation for \$89,212 and Home Delivered Meals for \$14,689 funded through MH/ID. Meals-on-Wheels has \$52,627 contract for delivery of meals.

Since 2013, County Council has distributed \$3,505,457 Gaming Fund grant monies to GECAC without guidelines.

Examination of the Clerk of Records Office's Cash Procedures:

After addressing the controls in the District Attorney's Office to prevent theft of funds, The Controller's Office examined the Clerk of Courts Office's procedures for the collection of cash and accounting records for cash. The Auditor General had listed inadequate segregation of duties in his Audit of the Office dated October 2016 and he had requested the Controller follow-up on corrective actions taken.

The Controller's Office met with and provided the Clerk of Records and the Clerk of Courts with specific recommendations for the implementation of segregation of duties in the bookkeeping procedures and reconciliation of the bank statement. The risk existed that one individual had the opportunity to misappropriate funds and the ability to cover up the transactions.

The Clerk of Records and Clerk of Courts accepted our recommendations and stated that they were implementing the new procedures with their staff immediately. The Clerk of Records stated he would further our recommendations to the Prothonotary, Clerk of Deeds, and Clerk of Wills. This will strengthen internal controls and reduce risk of misappropriation.

Contract Review and Termination of Consulting Fees Payments:

The Controller reviewed the County's Utility and Telecommunications bill auditing and analysis Contract with an outside vendor and the monthly invoices paid by Erie County since 2001. It was found that vendor was in violation of the terms their Contract with the County for performing utility and phone auditing on a contingency basis. The Contract specified that a contingency fee of 40% would be invoiced with documentation attached after by the County received a rebate from the utility company due to the vendor's finding of overcharges. The Contract also specified there would be \$0 Consulting fees paid by the County or applied against any refunds to the County.

The County has paid the vendor a total of \$62,553.70. When requested by the Controller to provide documentation of all rebates and actual savings, the vendor acknowledged that there were never any utility rebates or savings to the County but the County was being charged a "consulting fee".

After meeting with the Director of Procurement, he has issued a letter to the vendor to cease billing for services considered as "Consulting Fees" and the vendor has stopped the billings which had been approved by the County Facilities Manager since 2001. To date no utility rebates have occurred. The Controller thanks the Director of Procurement for his cooperation.

2017 Bids and Request for Proposals (RFP):

Per the Erie County Purchasing Code, the Controller's Office received 51 advertised bids and RFPs for services costing \$25,000 or more. County Council waived the County Purchasing Code for five contracts exceeding the \$25,000 threshold for formal advertised bidding, one of which was \$4,185,586.58 for the 911 Microwave System. The prior highest waiver of the Code by Council was in 2015 for the hiring of the Consultant for the Next Generation 911 System for \$1,324,881.

“Up For the Job” Bid:

The RFP opening for the one year contract for a media consultant for “Up for the Job” was held at the Controller's Office on 3/17/17. Three vendors had responded with the lowest vendor cost at \$36,000.00. On September 7, 2017, the County Executive submitted the Ordinance to Council in the amount of \$102,000 with the vendor who had originally publicly submitted at \$36,000.

The County Controller issued a memo on September 26, 2017 to the County Executive and Council stating “This is an unlawful violation of the Purchasing Code. The pricing quoted on a RFP cannot be changed to a higher amount after the opening of the RFPs. The integrity of the County and its bidding and RFP process are negated if this pricing change from \$36,000 to \$102,000 occurs. No vendor or member of the public will trust the County to be fair and honest in its selection of vendors and it's spending of tax payers dollars. If there are additional services being requested, a new RFP must be issued publicly.”

The County Council Solicitor advised Council on September 28, 2017, “the County Executive changed the RFP that was originally advertised and upon which other competitive contractors relied in submitting their bids. This is a direct violation of the Purchasing Code and worse, has the appearance of directly subverting the competitive bid process. The County Executive should develop and advertise a new RFP.”

On October 3, 2017, Council approved \$36,000 to “up for the Job” with the selected vendor for six months. No revised RFP was issued.

Amendment to the Administrative Code – Financial Procedures:

In December 2017, the Controller contacted the Council CPA regarding the pending Resolution on Council's agenda to "Appoint the firm to perform the Comprehensive Single Audit for Erie County and related funds" since the contract had not been bid during 2017 per the Administrative Code, Article IV, Section 12D. The Code required public bidding every three years. The last bid date was November 2014.

County Council chose to amend the Administrative Code – Financial Procedures (Ordinance Number 140, 2017) and changed the maximum required bidding requirement from three years to every five years. The Auditing firm was reappointed for fiscal year 2017 without bid.

Erie County Employees' Retirement Fund:

Significant savings have been realized in the Pension Fund since the Controller's 2014 recommendation to the Retirement Board and its Consultant to re-examine the payments to outside vendors in addition to the Consultant's fee and money managers' fees. As of 2017, all four outside relationship vendor contracts were terminated. They had cost the Pension a total of \$776,212 from 2004 through 2016. All money manager contracts were renegotiated with reduced fees, also. Additional savings have been realized by the use of Index Funds. The total money manager fees and relationship fees paid in 2017 were \$721,987 on a portfolio value of \$267,705,156 versus \$835,384 on a portfolio of \$230,678,610 in 2015.

The County taxpayers contributed \$4.6 million into the County Pension Fund in 2017. The Pension value as of 12/21/17 was \$267,705,156 and is 94% funded.

In 2013, the Controller found the County's violation of Act 96 of the PA County Pension Law in that the annual employee Vacation Buy Back pay was treated as compensation for the purpose of pension payment calculations. This pension spiking had been in effect over more than 40 years. As a result, a Resolution was passed prohibiting adding Vacation Buy Back Pay to the pension calculation. Projected savings to the Pension and County taxpayers based upon the 2013 Vacation Buy Back amount over 25 years is over \$4,300,000.

Under the new Government Accounting Standards, as of 2017, the Net Pension Liability must be recognized on the County's financial records. The 12/31/16 liability was \$14.8 million. In 2018, the Post-Retirement Medical Benefits for County employees hired prior to 1992 must be recognized on the County balance sheet. As of 12/31/15, the Post-Retirement Medical Benefits liability was \$48.8 million.

Tax Collectors:

In 2016, the Controller's Office confirmed that all Erie County Tax Collectors switched to using the Tax District's or Municipality's tax ID number on their bank account not their personal social security number.

In 2017, the Controller notified the Tax Collectors that PA House Bill No. 16 had been enacted requiring the tax bills state that payment is to made to the bank account name having the Taxing District's or Municipality's name and may include the Tax Collector's name, but not in the name of the individual only. The Controller confirmed that all Erie County Tax Collectors are in compliance.

Edmund L. Thomas Center and Shelter Meals Contract:

In 2015, the Controller recommended to the Director of OCY that the Edmund L. Thomas Center and Shelter utilize the National School Lunch Program for potential cost savings to the County. The new Meal Contract cost was \$9.50 per meal. The total cost in 2016 which includes staff meals was \$143,041. OCY confirmed that a past ELT Director discontinued completing the submission for NSLP funding. The Controller requested that the current ELT and OCY Directors resubmit for NSLP funding as soon as possible and received a written reply that application would be made.

The OCY Administrator of Operations has confirmed the submission as of January 13, 2017 of the necessary documentation per the Department of Education's Child Nutrition Program requirements in order to reestablish the Edmund Thomas Center for meal reimbursement. It was approved and OCY began receiving reimbursements in April 2017 and for the remainder of 2017. The Controller has requested specifics as to the amount received and the usage of the funds.

2017 Annual Prison Amory Inventory:

Since the theft of ammunition at the Prison Armory in 2012, the Controller's staff has reviewed monthly armory inventory records and conducted an annual physical inventory of the armory. We found no discrepancies this year and will continue to perform an annual physical inventory to maintain its security.

Term Limits:

In September 2017, the Controller found that the County Home Rule Charter had never been updated to include the 2013 Amendment voted in overwhelming by the County citizens for Term Limits for the County Executive and County Council members. The Election Clerk was notified of the omission which resulted in the County Solicitor rewording the Home Rule Charter to include the term limits.

Department of Health Receipting Procedures:

During 2017 the Controller's Office conducted a review of the cash handling procedures at the Erie County Department of Health (E.C.D.H). The review was conducted because of FMS receipt number was found to be missing from a FMS batch. The goal of the review was to identify how a receipt number could be missing in FMS and to better understand how the E.C.D.H handles payments.

With the help of the Finance Department we tested scenarios in the FMS Test Ledger and determined the likely cause for the missing receipt was that it was deleted by a FMS user due to the ability to delete receipts that were not yet finalized. FMS does not allow us the ability to see who deleted any receipts. County Policy for receipting mistakes is to enter that receipt as a zero receipt. The Finance Office contacted the software provider and they disabled the delete button so receipts can no longer be deleted.

During our review we found that not all receipts were being finalized and receipt batches were not being finalized before sending the deposit to the courthouse. We also noted that deposits were only being brought to the courthouse two days a week. We recommended finalizing every receipt, finalizing the batches and sending deposits to the courthouse daily.

The E.C.D.H. updated their procedures and is currently finalizing receipts and batches. Deposits are still not being brought to the courthouse daily. We continue to recommend that deposits be made daily.

Lump Sum Pension Payments:

During 2017 the Retirement Fund began processing lump sum benefit payments through the custodian bank's secured website. The actuary calculates the payment and enters the distribution information on the website and submits the distribution request to an authorized signer for approval. The authorized signer logs on to the website, reviews the information and approves or rejects the distribution. There is also an option to edit the distribution.

In February 2018 a distribution was submitted for approval with an incorrect voucher number. The Deputy Controller selected edit and changed the voucher number entered on distribution, then approved the distribution. During a discussion with the actuary employee that submitted the distribution it was discovered that no notification of the change was sent to the originator.

The Controller's Office contacted the bank to find out if changing the payee or payment amount would cause an automated email to be sent to the originator. The bank confirmed that an email should be sent to the originator when a change is made, but found that it was not occurring for benefit payments. The bank is currently working on an enhancement to the website that will send a notification to the originator.

It should be noted that the Pleasant Ridge Plan uses the same website to process pension payments. If the issue cannot be resolved, the retirement board should consider dual authorization for all disbursements in both plans.

Credit Card Purchases:

As part of our annual review of expenditures, we asked the Finance Office for a list of active credit cards and for a copy of the current credit card policy. We were given a list of 59 active credit cards that were issued by the Finance Office to elected officials, department heads, sheriff deputies, and various other county employees. The policy we were given is a memo issued in 2001 by the Director of Finance that states the cards can only be used for travel related expenses. This policy also specifically states that the cards cannot be used for meals, office supplies, internet purchases, or personal use. It should be noted that current policy is not included in the policy section on MYEC. We feel the current policy is insufficient to deter misuse even if it was widely distributed.

We checked the county's payroll records to verify that the active cards were issued to current employees. We also selected a sample of statements to verify that charges were in compliance with the policy. We found one card that was still active at the end of the year was issued to an employee that left in July. The card has since been cancelled and we verified that there were no charges on the card after the employee's termination date. We also found some charges that were allowable county expenses, but were not allowable under the credit card policy, such as, supplies, registration fees and membership fees.

On 3/5/18 we met with the Director of Finance and Director of Procurement to discuss these exceptions. We recommended that they work together to draft a new policy that should include:

1. Who is responsible for issuing the cards
2. Who is eligible to receive a card and who determines they are eligible
3. What types of charges are allowed
4. An acknowledgement from the employee that they have read the policy
5. Procedure for emergency purchases
6. Who is responsible for verifying purchases are in compliance with the policy
7. Who is responsible for late fees
8. Who is responsible for collecting cards from terminated employees
9. What types of purchases are prohibited
10. Penalties for violating the policy

The Director of Purchasing and the Director of Finance have drafted new policy but, as of the date of this report the policy has not been issued.

Tax Claim Bureau Audit

During 2017 we issued the Tax Claim audit report for the period ended 12/31/16. We had the following finding:

The payable reports that the system generates are based on the receipts for a given month and do not include money collected in a prior period. The receipts for the tax sale are included in the miscellaneous costs payable to the County. When the check for the County is prepared, the tax sale receipts are deducted out of the amount due. The Tax Claim Accountant maintains a separate Tax Sale Payable Ledger. The total receipts for December plus the balance of the Tax Sale Payable Ledger should equal the total of the Cash Ledger. The total collections for December 2016 were \$571,627.43; the total of the Tax Sale Payable Ledger as of 12/31/16 was \$415,397.40 for a total payable of \$987,024.83. The Cash Ledger balance as of 12/31/16 was \$1,033,045.31. This is a difference of \$46,020.48.

We recommended the Tax Claim Accountant determine the total obligations of the Tax Claim Account and maintain a complete accounts payable ledger. We also recommend reconciling the accounts payable ledger to the cash ledger on a monthly basis. Once the total payable is determined we recommend transferring any remaining funds to the General Fund.

The Tax Claim Accountant is in the process of determining the total obligations, but as of the date of this report, has not compiled a complete payable ledger.

Prison Inmate and Commissary Accounts Audit

During 2017 we issued the audit report for the Prison accounts for the period ended 12/31/16. Our report contained the following finding:

During our review to the Bank Register Entries report we found check #57166 is listed as voided and checks #57167 and #57168 are not listed on the report. These checks were all in the January supporting document file marked as void because other reports were printed on the check stock. Checks #57167 and #57168 were reissued as #57169 and #57170 and are listed on the Register as cleared. We also reviewed the Bank Transaction History report and noted checks #57166, #57169, and #57170 were not listed on the report. Checks #57167 and #57168 are listed on the Transaction report.

Both of the reports mentioned above have gaps in the check sequence caused by voided checks not being reported. Neither report has entries for outstanding checks that are voided at a later date. The Prison accountant was able to provide us with a report of voided checks for the audit period. The report lists the checks by date issued but does not provide the date the check was voided. The voided check report lists check #57166 as void but does not list any of the other checks mentioned above.

We recommended that the prison accountant should contact the software provider to determine if there is a more complete register available. The accountant has contacted the software provider, but the provider has not identified any other reports at this point.

Prior Audit Findings and Recommendations – Unresolved

Centralization of Financial Records:

The Human Service Finance Bureau which is located outside the Courthouse processes all checks for the Office of Children & Youth, Office of Drug & Alcohol and MH/MR/ID. This Bureau processed 50% of the County's budget or over \$200,000,000. However, these financial records are not centralized electronically with the County Finance Office in the County Courthouse and the County Controller. Invoices and back-up documentation are not available unless specifically requested by the Controller. This presents difficulties in assuring accountability. The Controller continues to recommend electronic centralization of all County financial records.

Inventory Control Accountability:

The Controller's Office initiated a major effort in 2013 to protect taxpayer's dollars by refusing to authorize the removal of undocumented "missing" or "disposed" County assets from the County's inventory without prior submission of an Authorization for Disposal of Assets Form to the Controller's Office for approval.

The Administration responded by revising the Fixed Asset Policy to increase the dollar limit for an asset requiring a tag from \$300 to \$1,000. This will reduce County's taggable inventory from nearly 30,000 to about 8,000 assets. The Controller advised the Administration that the many of items most susceptible to theft are those that were eliminated from the inventory.

A Radio Frequency Identification System for County inventory was purchased and the vendor has been paid \$73,011.41 through January 2018. The 2017 inventory has not been completed at this point due to numerous items no longer being tagged and many removals.

The Controller recognizes there was a need to streamline the annual inventory process to, per the Administration, "ease the burden and enhance the accuracy of taking annual physical inventories" but hopes that the result is not reduced accountability and loss of County assets.

County Leases:

Pursuant to Article III, Section 2F of the County Administrative Code, the Controller reviewed the terms of the one-year lease agreement for the Erie County Department of Drug and Alcohol Abuse at the RWCE Building, 155 West 8th St, at \$20.70 per sq. ft. and found it was not fair and reasonable due to the abundance of quality less expensive office space available within

the community. The Controller refused to approve the lease in 2014, 2015, 2016, and 2017 and recommended each year that the County Executive renegotiate this lease or relocate.

Additionally, the RCWE Holding Company lease for office space for Child Care Information Services, 155 West 8th Street at \$17 per sq. ft. was also found not fair and reasonable by the Controller in 2014, 2015 2016 and 2017. The Controller recommended to the County Executive that the lease be renegotiated or the County should relocate these offices.

The building was sold to a local bank through the U. S. Bankruptcy Court at a sheriff sale. The County leases continue at the same rate on a monthly basis. The Controller recommends renegotiation with the new landlord to be competitive with other office space at \$12 per sq. ft. or less or relocation.

Purchasing Department – Open Purchase Orders:

Since the Controller's 2014 recommendation that the Purchasing Department avoid the utilization of open purchase or blanket orders with County vendors, the Purchasing Director has worked to reduce that number. The 721 open (blanket) purchase orders in 2016 declined to 656 in 2017 and are 577 in 2018. Of these, 47 have spending limits of \$25,000 or more, of which 9 are at \$100,000 or more and 5 are at \$200,000 or more. The highest open P.O. is \$362,000. The continued cooperation in reducing Open Purchasing Orders by the Purchasing Director is appreciated.

Purchasing through the County Code bidding process for vendor services exceeding \$25,000 ensures the County is receiving the best services at the lowest price. The Controller continues to monitor the utilization of Open Purchase to reduce that number to the necessary minimum. Vendor services may be obtained at a lower price point if contracts are openly bid.

The Administration responded to my comment last year that the new purchasing module does not contain invoices and back up documentation by stating that invoices will never be part of the new purchasing module since they are part of the accounts payable module; all invoices do not have purchase orders.

The Administration also stated that after the RFID inventory project is completed, the Finance Department will begin a project that will scan invoices and any additional backup, and attach them to invoice documents in the financial management system. This project which would bring accountability and efficiency has not begun as yet.

Prior Audit Findings and Recommendations – Resolved

Remittance of License Fees:

During our 2016 review of the State Revenue Account we noted that funds collected for the sale of dog licenses in June were not disbursed to the state until September.

Section 459-200h of the PA Dog Law states:

“An agent who fails to comply with this act or regulations adopted under this act relating to the issuance, recording of data or remitting of costs for dog licenses issued shall not be entitled to retain the sum under subsection (b) for his services but shall pay the sum to the State Treasury for deposit into the Dog Law Restricted Account. Delinquent agents are subject to a penalty of 10% per month on any outstanding balance of dog license money due the department, which penalty shall be compounded on a monthly basis...”

Although the State did has not assessed any penalties to the County, we recommended that the Director of Revenue ensure all funds due to the State are paid by the end of the following month to avoid the possibility of penalties being assessed in the future.

During our review of the State Revenue Account for 2017 we noted all payments to the state were made in a timely manner.

State Account Outstanding Reconciling Items:

The State Revenue Account had numerous reconciling items that were being carried on the bank reconciliation for several years. During 2016 many of the old reconciling items were researched and resolved. However, the December 2016 bank reconciliation still listed sixty three individual reconciling items with a net total of \$1,262.25. Forty six of these reconciling items were new unresolved discrepancies that occurred in 2016.

We recommended that the Revenue Accountant research the old reconciling items and recover all funds that can be collected. The Director of Revenue should write off any shortages that cannot be collected and request reimbursement from the County’s General Fund. We also recommended that action be taken to resolve discrepancies in the month they occur. Also, the action being taken should be documented on the monthly bank reconciliation.

During 2017 a new staff member was assigned the responsibility to reconcile the account. All overages that could be identified were either receipted or refunded to the payer. The old

receivable amounts were deemed uncollectible and were written off. As of 12/31/17 there were only two reconciling items on the bank reconciliation.

Software Changes:

Due to software changes at the prison in 2015 without notification to the finance department, we had recommended the Director of Finance create a policy requiring any department utilizing third party software for financial reporting to notify the Director of any new software or upgrades prior to any conversion. The policy should include having the Finance Director or his designee sign off on the old system final balance and the upload on the new system. It should also include having the vendor provide a list and samples of available reports.

In 2018 the Director of Finance issued a memo to all county department heads instructing them to notify the Finance Department of software changes.

FINANCE OFFICE

GENERAL FUND ACCOUNTS

**FINANCE OFFICE
GENERAL FUND ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Cash and Temporary Investments at Beginning of Year</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Cash and Temporary Investments at End of Year</u>
General Account	\$39,351,601	\$166,911,378	\$175,264,018	\$30,998,961
Jury Reimbursement Account	(14,365)	107,950	137,655	(44,070)
County Records Improvement Account	326,276	57,865	167,998	216,143

See Accompanying Notes to Financial Statements.

NOTES TO GENERAL FUND ACCOUNTS

DECEMBER 31, 2017

NOTE 1 – GENERAL ACCOUNT

The General Account is maintained to account for all financial transactions not properly accounted for in another fund.

The General Account is under budgetary control required by law. Each year the budget must be approved by County Council. The annual budget is a comprehensive financial plan for the year, which incorporates both estimates of proposed expenditures and the revenues required to finance them.

NOTE 2 - JURY REIMBURSEMENT ACCOUNT

The Jury Reimbursement Account is used to account for payments to individuals serving on Jury Duty.

NOTE 3 - COUNTY RECORDS IMPROVEMENT ACCOUNT

Pursuant to HB 196 of 1998, the County has established a County Records Improvement Account. This Bill stated that a fee in the amount of \$2.00 should be charged and collected for each document recorded. This fee shall be split equally between the "County Records Improvement Account", included as part of this report, and a separate account within the Office of the Recorder of Deeds.

Pursuant to HB 1923 of 2002, the fee charged and collected for each document recorded was increased to \$5.00. The \$5.00 fee will now be allocated with \$2.00 going to the County Records Improvement Fund and \$3.00 being retained in a separate account within the office of the Recorder of Deeds. Funds shall be expended in accordance with a comprehensive records management plan based on the goal of standardizing and equalizing the capabilities of all county offices consistent with their need to receive, manage and provide information to the public as efficiently as possible.

SPECIAL REVENUE ACCOUNTS

**FINANCE OFFICE
SPECIAL REVENUE ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Cash and Temporary Investments at Beginning of <u>Year</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Cash and Temporary Investments at <u>End of Year</u>
Mental Health/Intellectual Disabilities	\$5,106,814	\$31,212,140	\$31,358,568	\$4,960,386
Drug & Alcohol Account	1,782,596	5,725,493	6,104,678	1,403,411
Children & Youth Account	1,174,362	66,143,916	67,299,560	18,718
Domestic Relations Account	710	5,031,840	5,031,737	813
Liquid Fuels Account	416,162	836,785	715,984	536,963
Public Health & Safety Account	600,422	6,552,092	7,396,489	(243,975)
Library Account	(469,373)	6,823,716	6,890,392	(536,049)
Planning Account	3,492,639	2,426,506	2,313,744	3,605,401
E-911 Account	1,946,996	6,651,845	8,066,008	532,833
Emergency Management Acct.	899	911,780	768,229	144,450
Employee Fringe Benefit Acct.	(1,602,354)	21,600,058	20,503,640	(505,936)
Gaming Funds Account	1,146,305	11,230,101	11,796,620	579,786
HUD Sustainable Communities	15	0	15	0
Keep Erie County Beautiful	0	4,050	1,330	2,720
Supervision Fees	0	891,791	552,374	339,417
Healthchoices	19,902,083	101,891,837	103,358,549	18,435,371

See Accompanying Notes To Financial Statements.

NOTES TO SPECIAL REVENUE ACCOUNTS

DECEMBER 31, 2017

NOTE 1 - MENTAL HEALTH/INTELLECTUAL DISABILITY ACCOUNT

Administers local agency providers and passes through State Funds along with County Funds to their MH/ID activities. This fund also includes administration of adult services and in-home health services.

NOTE 2 - DRUG AND ALCOHOL ACCOUNT

State Funds are passed through to local agency providers along with County Funds for identification and treatment programs.

NOTE 3 - CHILDREN AND YOUTH ACCOUNT

Act 148 and County Funds are used to provide caseworkers for Child Protective Services. This account is also used to administer the County's Day Care Programs and the Juvenile Detention Center. This account is also used to administer Act 148, Title IV-A, Title IV-E and County funds used to pay for Court Ordered placement of dependent and delinquent children in protective and correctional institutions.

NOTE 4 - DOMESTIC RELATIONS ACCOUNT

Receives cash from defendants under Court Order and disburses the cash to the designated party either the State or plaintiff. These accounts are maintained by Domestic Relations personnel responsible to the Judges of the Court of Common Pleas.

NOTE 5 - LIQUID FUELS ACCOUNT

Tax funds received from the Commonwealth are passed through to local municipalities for road and bridge maintenance.

NOTE 6 - PUBLIC HEALTH ACCOUNT

Funds are provided by Act 315, Act 12, other grants, and the County. The funds are used to administer personal health services such as clinics, environmental protection services and other health and safety related programs.

NOTE 7 - LIBRARY ACCOUNT

Funding comes primarily from the County with additional grants from the Commonwealth of Pennsylvania and certain local municipalities. Several branch libraries are operated throughout the County and bookmobile service is also provided.

NOTE 8 - PLANNING ACCOUNT

Accounts for the activities of the County's Planning Department. Funds are received from various State and Federal Agencies including Community Development Block Grants, Coastal Zone Management, Pennsylvania Department of Transportation and County of Erie.

NOTE 9 - E-911 ACCOUNT

This account was established to account for the activities of E-911 expenses and revenues as approved by County Government.

NOTE 10 - EMERGENCY MANAGEMENT ACCOUNT

This account was established to separate Emergency Management funds from Public Health funds. Funds are provided by PEMA, other grants and the County. The funds are used to administer Emergency Management services.

NOTE 11 - EMPLOYEE FRINGE BENEFIT ACCOUNT

This account was established by Ordinance Number 144-2005, as an Internal Service Fund for County-wide fringe benefits.

NOTE 12 - GAMING FUND ACCOUNT

During 2013 the Restricted Gaming fund was closed. Gaming funds received from the Commonwealth are deposited in the Unrestricted Gaming Funds Account. Half of these funds are then transferred to the Erie County Gaming Revenue Authority to be used for municipal grants for health, safety and economic development projects. The remaining balance of the Unrestricted Funds can be used at the County's discretion.

NOTE 13 - HUD SUSTAINABLE COMMUNITIES

This account was established by Ordinance Number 2-2012 to account for the revenues and expenses of the HUD Sustainable Communities Grant. The funds are to be used to create a community development plan.

NOTE 14 - KEEP ERIE COUNTY BEAUTIFUL

This account was established by a grant from Keep America Beautiful. The funds are to be used to improve and beautify Erie County.

NOTE 15 - SUPERVISION FEE ACCOUNT

This account was established pursuant to Act 35 of 1991 for the purpose of segregating County Offender Supervision Fees imposed by the sentencing judge of the Court of Common Pleas. These funds can only be disbursed at the discretion of the President Judge

Note 16 – HEALTHCHOICES

State funds are passed through to local agency providers for the medical assistance funding for mental health, drug and alcohol and Children's services programs

SPECIAL REVENUE ACCOUNTS

SUPPLEMENTAL INFORMATION

LIQUID FUELS ACCOUNT
DETAILED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash at Beginning of Year	\$416,162
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RECEIPTS

Commonwealth of Pennsylvania	\$809,017	
Interest	768	
Transfer from General Fund	<u>27,000</u>	
		<u>836,785</u>
		1,252,947

DISBURSEMENTS

Various County Municipalities	\$688,934	
Transfer to General Fund	<u>27,000</u>	
		<u>715,984</u>

Cash at End of Year	<u>\$536,963</u>
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GAMING FUNDS ACCOUNT
DETAILED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash at Beginning of Year		\$1,146,305
RECEIPTS		
Commonwealth of PA	\$10,676,299	
Interest Unrestricted Checking	4,637	
Transfer from General Fund	406,000	
Summer JAM Sponsors	69,200	
Refunds	<u>73,965</u>	
		<u>\$11,230,101</u>
		\$12,376,406
Project Grants	1,519,755	
Transfer to Debt Service	3,885,350	
Transfer to General Fund	1,053,070	
Trans. to ECGRA	5,338,149	
Bank Fees	<u>296</u>	
		<u>11,796,620</u>
Cash at End of Year		<u>\$579,786</u>

DEBT SERVICE FUND ACCOUNTS

**FINANCE OFFICE
DEBT SERVICE FUND ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Cash and Investments at Beginning of Year	\$2,311,717
Receipts	34,142,378
Disbursements	<u>34,088,925</u>
Cash and Investments at End of Year	<u>\$2,365,170</u>

See Accompanying Notes To Financial Statements

NOTES TO DEBT SERVICE FUND ACCOUNTS

DECEMBER 31, 2017

NOTE 1 - DEBT SERVICE FUND ACCOUNT

This fund is used to retire County debt obligations.

NOTE 2 - GENERAL OBLIGATION BONDS

During 2005, General Obligation Bonds Series A, B and C totaling \$40,815,000 were issued. The Bonds mature in varying amounts annually through 2023. The Series A Bonds were issued to refund the Series B Bonds of 2003 maturing on and after September 1, 2014. The Series B Bonds were issued to fund various capital projects. This series was partially refunded by the 2007 Bond issue. The remaining balance of the 2005 Series B Bonds were refunded by the 2012 Series C Bonds that were issued in 2013. The Series C Bond proceeds were used to make a loan to the Greater Erie Industrial Development Corporation for the development of an Industrial Park. As of December 31, 2017 the balance of the 2005 issue is \$10,400,000.

The County issued 2007 General Obligation Bonds; Refunding Series of 2007 to advance refund a portion of the General Obligation Bonds, Series B of 2005. The Bonds mature in varying amounts annually through 2025. The 2007 bonds were refunded by the 2017 bond issue. As of December 31, 2017 the balance of the 2007 issue is \$0.

During 2008 the County issued \$22,055,000 in General Obligation Bonds. The Bonds mature in varying amounts annually through 2017. These bonds are to be used to finance the County's obligation to the Erie Regional Airport Project (\$21,500,000) and the Erie County Courthouse Project (\$1,000,000). As of December 31, 2017 the balance of the 2008 issue is \$0.

During 2009 the County issued \$10,205,000 in General Obligation Bonds. The Bonds mature in varying amounts annually through 2021. These bonds are to be used to finance the local portion of the renovations to the Tullio Arena and related area. The 2009 Bonds were refunded by the 2012 Series C Bonds. As of December 31, 2017 the balance of the 2009 issue is \$0.

The County issued 2012 General Obligation Bonds Series A and B totaling \$13,605,000. The bonds mature in varying amounts annually through 2023. The Series A Bonds were issued to refund the 2003 Series A Bonds maturing on and after September 1, 2014. The Series B Bonds were issued to refund the 2003 Series C Bonds maturing on and after September 1, 2014. 2012 Series C Bonds totaling \$10,780,000 were not closed until January 2013. These bonds mature in varying amounts annually through 2021 and were issued to refund the 2005 Series B maturing on and after September 1, 2017 and the 2009 Bonds maturing on and after September 1, 2018. As of December 31, 2017 the balance of the 2012 issue is \$13,215,000.

The county issued 2015 General Obligation Bonds totaling \$17,380,000. The Bonds mature in varying amounts annually through 2030. The bonds were issued to fund the Public Safety Radio Project. As of December 31, 2017 the balance of the 2015 issue is \$15,715,000.

The County issued 2017 General Obligation Bonds totaling \$20,220,000. The bonds mature in varying amounts annually through 2025. The bonds were issued to advance refund the 2007 bonds. As of December 31, 2017 the balance of the 2017 issue was \$20,220,000.

DEBT SERVICE FUND ACCOUNTS

SUPPLEMENTAL INFORMATION

DEBT SERVICE FUND ACCOUNTS
DETAILED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash and Investments at Beginning of Year	\$2,311,717
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RECEIPTS

Interest Earnings	\$18,115	
Transfer from General Fund	4,414,703	
Transfer from Gaming	3,885,350	
Transfer from Emergency Management Account	334,345	
Transfer from 911 Account	1,838,464	
Proceeds from 2017 Issue	<u>23,651,401</u>	
		<u>34,142,378</u>
		\$36,454,095

DISBURSEMENTS

Principal & Interest on 2005 General Obligation Bonds	2,422,937	
Principal & Interest on 2007 General Obligation Bonds	25,562,951	
Principal & Interest on 2008 General Obligation Bonds	2,953,600	
Principal & Interest on 2009 General Obligation Bonds	5,150	
Principal & Interest on 2012 General Obligation Bonds	1,458,705	
Principal & Interest on 2015 General Obligation Bonds	1,614,656	
Professional Fees (Trustee)	<u>70,926</u>	<u>34,088,925</u>

Cash and Investments at End of Year	<u>\$2,365,170</u>
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TRUST AND AGENCY FUND ACCOUNTS

TRUST AND AGENCY FUND ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Cash at Beginning of Year</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Cash at End of Year</u>
State Account	\$7,020	\$288,423	\$289,579	\$5,864
Retirement Account	\$126,720	\$16,813,534	\$16,779,127	\$161,127

**NOTES TO TRUST AND AGENCY FUND ACCOUNTS
DECEMBER 31, 2017**

NOTE 1 - STATE ACCOUNT

The State Account is maintained to account for funds collected which are a function of issuing State Licenses, Permits, etc. The various types of licenses and permits issued by the Revenue Department include dog, fishing, bingo, small games of chance and hunting licenses from which the County receives a commission. The amount of the commission varies with type of license or permit issued.

NOTE 2 - RETIREMENT ACCOUNT

The County of Erie Employees' Retirement Plan is in effect for all eligible employees and is administered by three members of County Council, the Director of Finance and County Controller. The plan is contributory whereby the County and the employees contribute to provide retirement benefits. The County is obligated to contribute sufficient funds to assure payment of all promised benefits.

TRUST AND AGENCY FUND ACCOUNTS

SUPPLEMENTAL INFORMATION

STATE ACCOUNT
DETAILED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

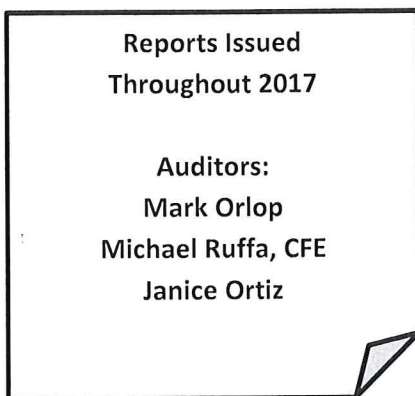
Cash at Beginning of Year		\$7,020
RECEIPTS		
Dog Licenses	\$112,623	
Fishing Licenses	2,149	
Hunting Licenses	100,588	
Bingo Licenses	5,120	
Commissions	35,630	
Small Games of Chance Licenses	30,800	
Miscellaneous	102	
Pistol Permits	811	
NSF Check Fees	<u>600</u>	
		<u>288,423</u>
		\$295,443
DISBURSEMENTS		
Commonwealth of Pennsylvania	\$216,134	
Erie County General Fund:		
Commissions	35,799	
Bingo Licenses	5,220	
Pistol Permits	806	
NSF Check Fees	600	
Small Games of Chance Licenses	30,650	
Refunds	<u>370</u>	
		<u>289,579</u>
Cash at End of Year		<u>\$5,864</u>

RETIREMENT CLEARING ACCOUNT
DETAILED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash & Stock at Beginning of Year			\$126,720
RECEIPTS			
Members Contributions	\$3,472,411		
Erie County Contribution	4,642,134		
Interest	3,233		
Withdrawal from Money Managers	8,550,000		
Loss Recovery	26,894		
Securities Lending	119,819		
Increase in Value of Stock	<u>(957)</u>		
Total Receipts			<u>16,813,534</u>
			\$16,940,254
DISBURSEMENTS			
Retirees Net Benefits	\$12,812,018		
Death Benefits	853,346		
Member Withdrawals	202,395		
Investment Expense	721,987		
Administrative Expense	197,630		
Deductions from Retirees Pay:			
Hospitalization	354,931		
United Way	96		
State Tax	0		
Federal Withholding	<u>1,636,724</u>	<u>1,991,751</u>	<u>16,779,127</u>
Cash and Stock at End of Year			<u>\$161,127</u>
Cash	160,444		
Stock – 100 Share of Nabors Industries Ltd	<u>683</u>		
Total		<u>\$161,127</u>	

**SUMMARY OF MAGISTERIAL DISTRICT JUDGES
FINANCIAL AUDITS**

Court Administration
Magisterial District Judges



The specific procedures were as follows:

- Reconciled bank statement to book records
- Performed test check of disbursements
- Performed test check of receipts
- Control of numbered documents
- Performed audit steps for traffic citations
- Performed audit steps for non-traffic and private summary complaints
- Performed audit steps for misdemeanors and felonies
- Performed audit steps for civil actions
- Verified proper marriage fees collected
- Performed inventory check
- Reconciled petty cash fund

Pennsylvania State Law Requires the Controller to audit the accounts of the thirteen magisterial district courts in Erie County.

Audit reports issued for the years ending December 31, 2015 and December 31, 2016:

- 5-12-2017 Thomas Carney- 06-1-03
- 6-16-2017 Paul Bizzarro -06-104
- 7-17-2017 Dominick DiPaolo-06-1-05
- 7-13-2017 Suzanne Mack-06-1-01
- 4-20-2017 Paul Urbaniak- 06-1-02
- 6-23-2017 Chris Mackendrick- 06-3-08
- 11-3-2017 Susan Strohmeier- 06-3-03
- 8-18-2017 Brenda Nichols-06-2-04
- 11-9-2017 Scott Hammer-06-3-02
- 10-27-2017 Brian McGowan-06-3-05
- 10-17-2017 Denise Stuck-Lewis- 06-3-06

Audit Results

- The financial statements present fairly in all material respects, the financial position of the district courts